

**RHODE ISLAND
RESOURCE RECOVERY CORPORATION
REVIEW OF CREDIT CARD TRANSACTIONS
AND BUSINESS PRACTICES
FOR THE PERIOD
JANUARY 1998 THROUGH MARCH 2000**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

RHODE ISLAND RESOURCE RECOVERY CORPORATION
Review of Credit Card Transactions and Business Practices
For the Period January 1998 Through March 2000

EXECUTIVE SUMMARY

A nine-member Board of Commissioners (Board) governs the Rhode Island Resource Recovery Corporation (Corporation). Members of the Board receive no compensation for the performance of their duties but are reimbursed for their reasonable expenses incurred in carrying out the duties under Chapter 23-19 of the Rhode Island General Laws. The Board takes an active role in overseeing the operations of the Corporation. The Corporation generated approximately \$105 million in revenues and \$66 million in expenses during the period under review.

Credit cards were issued during June 1998 to the Chairman of the Board of Commissioners and senior staff of the Corporation without adopting specific policies and procedures. The Corporation paid \$12,304 (.02 percent of expenses) in credit card purchases for the period June 1998 through March 2000, of which \$259 was determined to be personal and reimbursed. All credit cards were turned over to the Chief Financial Officer on December 5, 1999 and ultimately cancelled. We determined that \$3,540 out of the \$12,304 were payments on behalf of an employee appreciation program. These payments included dinner for winners of the Staff/Commissioners Bocce Tournament, staff holiday gifts, flowers for Secretary's Day, and gift baskets.

Our review of the Corporation's other business practices disclosed \$32,770 (.05 percent of expenses) in payments for gift baskets to employees, coffee and dairy products, holiday parties and gifts, employee appreciation awards, and annual cookouts. In addition, we noted \$11,608 (.02 percent of expenses) in payments for business-related meals and for the senior staff and Commissioners' participation in charitable golf tournaments. The Corporation does not have specific policies and procedures addressing these transactions. Through the budget process the Corporation provides the Board with the anticipated needs of these transactions.

The Corporation provided \$6,921,590 (10.6 percent of expenses) to the Town of Johnston during the period under review. Payments to the Town were for the Host Community Agreement, Methane Gas Royalty, Recycling Participation Grants, Donations, and Town Services. In addition, trash abatements totaled approximately \$985,104. The Corporation provided an interest-free loan and purchased \$5 million of General Obligation Deficit Funding Bonds in 1998 to assist the Town in overcoming an estimated \$18 million cumulative deficit.

Although our report does not address the subject, it is imperative that the State make a concerted effort to adopt uniformly written policies and procedures depicting the types of business-related expenses deemed "reasonable and acceptable" for Quasi-Public Agencies.

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May 26, 2000

The Honorable Lincoln Almond, Governor
State of Rhode Island
State House
Providence, RI 02903

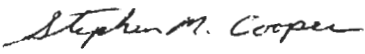
Dear Governor Almond:

We have completed our review of the Rhode Island Resource Recovery Corporation's credit card transactions and business practices for the period January 1998 through March 2000. Our review was conducted in accordance with your request of February 18, 2000 and Sections 35-7-5 and 35-7-14 of the Rhode Island General Laws.

The results and conclusions included herein have been discussed with the Corporation's management and we have considered their comments in the preparation of this report.

Although our report does not address the subject, it is imperative that the State make a concerted effort to adopt uniformly written policies and procedures depicting the types of business-related expenses deemed "reasonable and acceptable" for Quasi-Public Agencies. When questioned by the Senate Select Commission on Quasi-Public Agencies as to the need for such policies and procedures Ms. Giarrusso-Mulhearn responded, "We would not only welcome it, we would embrace it."

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC: (pb)

pc: Robert L. Carl, Jr., Ph.D., Director of Administration
Sherry Giarrusso-Mulhearn, Esq., Executive Director, Rhode Island Resource Recovery Corporation

RHODE ISLAND RESOURCE RECOVERY CORPORATION
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INTRODUCTION

Objectives, Scope, and Methodology

We conducted our review of the Rhode Island Resource Recovery Corporation to determine the reasonableness of credit card transactions and business practices for the period January 1998 through March 2000. Our review was made in accordance with *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and included such tests of the accounting records and auditing procedures as we considered necessary in the circumstances.

Our objective was to identify practices and procedures that could be improved or made more efficient. To achieve our objectives, we tested travel expenses for compliance with the Corporation's internal policy, the accuracy of the transactions and sufficiency of supporting documentation, the internal documentation for all credit cards, and travel and entertainment expenses as mandated by Section 35-7-14 of the Rhode Island General Laws. We also tested transactions and sufficiency of supporting documentation relative to other business practices of the Corporation. In addition, we considered the criteria described in the Internal Revenue Services Publication No. 463 "*Travel, Entertainment, Gift, and Car Expense*," Publication No. 535 "*Business Expenses*," and other state and federal policies and procedures for those transactions not subject to the Corporation's internal policy.

The findings and recommendations included herein have been discussed with management, and we have considered their comments in the preparation of our report. Section 35-7-4 (c) of the Rhode Island General Laws requires the auditee to respond to all recommendations in the report. Since the official response is not available, it is not included herein. This response, when available, will be furnished upon request.

Background

The Rhode Island Resource Recovery Corporation is a public corporation and instrumentality and agency of the State established in Chapter 23-19 of the Rhode Island General Laws. The Corporation was created to provide and coordinate solid waste management services to municipalities and persons within Rhode Island. It is intended that the Corporation will receive sufficient revenues through the sale of recyclable products, methane gas royalties, and fees for its services to be financially self-sufficient. The Corporation grants credit to customers, primarily commercial entities and municipalities within the State of Rhode Island. The Corporation has the power to issue negotiable notes and bonds to achieve its corporate purpose, subject to the provisions of Chapter 35-18 of the Rhode Island General Laws.

The Corporation's primary objectives are to develop cost-effective waste reduction systems, divert waste from the central landfill in Johnston, and provide cost-effective disposal alternatives. The Corporation encourages backyard composting and sells subsidized composting bins to Rhode Island residents. The Corporation's "Maximum Recycling Program" has successfully increased

recyclables diversion at reduced cost. It continues to be adopted by an increasing number of the state's municipalities seeking to contain their waste disposal costs. The feasibility of developing a construction/demolition debris processing facility and a sorting facility is being studied. A recyclable market development program is being promoted to encourage manufacturers to use recyclable material in lieu of virgin materials. The Corporation's composting facility is being expanded. Licensure of additional landfill capacity is being pursued to maintain disposal capacity as the current facility is depleted.

The Corporation operates an integrated statewide system of solid waste management facilities and programs to provide environmentally sound and economically reasonable source reduction, recycling, and disposal services. The goal of the Corporation's solid waste management system is to minimize the amount of waste generated and land filled and to maximize waste reduction and recycling.

The materials recycling facility, in concert with grants to municipalities, supports a broad municipal recycling program. Metals, plastics, glass containers, paper cartons, juice boxes, numerous other types of paper and cardboard, and textiles are delivered to the materials recycling facilities, processed, and sold on the open market to be manufactured. The Corporation also operates a composting facility for recycling leaves and yard waste.

The waste reduction program includes a number of initiatives including (but not limited to): production and distribution of a free guide of Rhode Island firms that repair, rent, or sell used items; teaching materials and activities; school presentations; a video; education on leaf and yard debris composting; information on reducing unwanted mail, excess packaging, and plastic bag use; technical support for businesses interested in reducing waste; an internet-based waste materials exchange program; and co-sponsorship of furniture swaps and other waste reduction projects.

The Corporation has developed and implemented an integrated solid waste management system in the most environmentally sensitive and economical manner possible. The landfill is currently the foundation of the integrated system. All operations are conducted utilizing state-of-the-art technology, including double lining of the landfill and an integrated methane recovery system.

The Rhode Island Resource Recovery Corporation is a component unit of the State for financial reporting purposes; as such, the financial statements of the Corporation are included in the State's Annual Financial Report.

The Corporation is exempt from federal and state income taxes.

RHODE ISLAND RESOURCE RECOVERY CORPORATION
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FINDINGS AND RECOMMENDATIONS

Budget Process - Board Finance Subcommittee

The Board of Commissioners governs the Rhode Island Resource Recovery Corporation. The Board has established a working finance subcommittee. Each fiscal year managers are required to submit detailed requests projecting anticipated needs. Every line item in the proposed budget is supported with documentation to justify the request. Budget documents include actual historical income and expense data for the previous three-year period, budget to actual data for the current fiscal year, and projections for the next fiscal year. The subcommittee meets with managers over a two-week period to review anticipated needs and determine the appropriate level for the proposed budget. The proposed budget is then presented to the Board for its approval. The Board approves line items in general categories of expenses rather than specific events.

The following sections exemplify general categories such as credit card transactions, business practices and activities of the Town of Johnston within the Fiscal Year 2000 Budget.

Credit Card Transactions

The Rhode Island Resource Recovery Corporation (Corporation) began using corporate credit cards during June 1998 without adopting specific policies and procedures. A card was issued to the Chairman of the Board of Commissioners (Chairman), the Executive Director, the Deputy Executive Director, and the Chief Financial Officer. The Corporation maintains that it had followed the practice to operate under the "prudent man" policy with respect to the use of the credit cards and/or any other activity for which a written policy may not exist. All credit cards were turned over to the Chief Financial Officer on December 5, 1999 and ultimately cancelled. Therefore, no recommendations are being presented in this report regarding credit card use.

Copies of all credit card statements, supporting documentation, and the Corporation's "Fleet Bank Business Card Charges" form were provided to our auditors for the period June 1998 through December 1999. This form was attached to each credit card statement and included the transaction date, vendor's name, business purpose, initials of the persons initiating the transaction, and the initials of the Executive Director or Deputy Executive Director approving the transaction.

The following summarizes the purposes for which the credit cards were used:

- Travel and Conference Related Expenses: The credit cards were used to purchase airplane tickets, hotel reservations, agent fees, and costs incurred while traveling out of state.
- Business Meals: The credit cards were used to pay for 15 business-related restaurant charges for meals for employees who were either traveling out of state or conducting business at local restaurants. Supporting documentation was available for all occasions and included the original charge slip and/or the Corporation's expense report and the names of people in attendance. Charge slips contained the cost of the meal plus the added tip.
- Commissioners Clothing: The Corporation purchased one sweater for each of the nine Commissioners. These sweaters contain the Corporation's logo and are worn by the Commissioners at promotional events.
- Bocce Tournament: The "Third Annual Bocce Tournament," (an employee recognition program) is open to all employees who join together to form teams of six players who compete against each other for the chance to play against the Commissioners. The winning team has the meal of their choice prepared by the Chairman's wife. The Commissioners personally paid all expenses for the first two meals. The Corporation contributed funds for the winning team meal for the Third Annual Bocce Tournament.
- Staff Gifts: The Corporation purchased and presented gifts to employees on behalf of the Commissioners at the annual holiday party.
- Candelabra (Reimbursed): One charge, representing the purchase of a candelabra on October 10, 1998, was later identified by the Executive Director and the Chairman as personal. The Executive Director and the Chairman reimbursed the cost for this item to the Corporation on December 2, 1998 and December 20, 1999, respectively.
- Flowers: The Deputy Executive Director purchased flowers in the amount of \$139.10 for Secretary's Day. In addition, other flowers were purchased in the amount of \$159.43 for funeral arrangements.
- Gift Baskets: The gift basket was for the Employee Recognition Program.
- Vehicle Fuel: The Executive Director used her credit card to purchase gasoline for a Corporation vehicle assigned to her.
- Annual Fees and Finance and Late Fees: These amounts represent the bank charges associated with the use of the credit cards. The Corporation was assessed and paid these bank charges for Fiscal Year 1999. As shown in Exhibit 1, the bank reversed the interest charges and late fees in Fiscal Year 2000.
- Other: The transactions classified in this category represent normal business expenses. Examples include: annual dues to the Rhode Island Bar Association for the Corporation's General Counsel, the cost for information retrieved from the Providence Journal's archives, National Golf Foundation publication for land reuse, and modem support.

Exhibit 1 below identifies our classification of each credit card transaction.

Exhibit 1 Credit Card Transactions				
Description	Jan 98 to June 98	July 98 to June 99	July 99 to March 00	Total
Travel and Conference-Related Expenses	634.27	3,004.12	2,359.01	5,997.40
Business Meals	-	626.89	230.65	857.54
Commissioners' Clothing	-	316.36	-	316.36
Bocce Tournament	-	-	219.93	219.93
Staff Gifts	-	1,885.95	1,055.05	2,941.00
Candelabra (Reimbursed)	-	259.21	-	259.21
Flowers	-	139.10	159.43	298.53
Gift Baskets	-	81.00	-	81.00
Vehicle Fuel	-	80.50	629.91	710.41
Annual Fees	-	140.00	-	140.00
Finance and Late Fees	-	65.44	(67.97)	(2.53)
Other	-	254.85	230.75	485.60
Total	634.27	6,853.42	4,816.76	12,304.45

Business Practices

In order to review the business practices of the Corporation, we requested an electronic copy of the accounts payable transactions for the period January 1998 through March 2000. This data was sorted by fiscal year and payee, and reviewed for either specific or unusual activity. We determined the following categories representing transactions or activities to be significant. We noted in the Fiscal Year 2000 Budget the Office and Supplies Expense category included dairy supplies, coffee vendor, postage, refreshments, and conference and/or Commissioners' expense. The conference and/or Commissioners expense line item was budgeted at \$25,000. This category included donations on behalf of the Board.

Travel Reimbursements: We reviewed 289 Travel Expense Vouchers for the period January 1, 1998 through March 31, 2000. These records contained a summary of the travel costs including the purpose for the travel as well as supporting documentation. We noted two instances where an employee, traveling with his spouse, was reimbursed for costs associated with business-related travel based on his personal credit card statement instead of itemized invoices. Charges only included hotel and car rental for both occasions. We discussed this situation with the Chief Financial Officer and suggested that in the future employee reimbursements should be based on original invoices and not credit card statements.

Also, we noted that there were 24 reimbursements to Commissioners and employees associated with out-of-state travel. On 7 occasions reimbursements were made for alcoholic beverages consumed during out-of-state travel as follows:

- 6 instances where alcoholic beverages were part of meals reimbursed to employees or commissioners.
- 1 instance where a Commissioner was reimbursed for a meal and two glasses of wine in excess of the per diem allowance specified in the Corporation's Policies and Procedures.

Employee Recognition and Appreciation Programs: The Chairman and the Board of Commissioners recognize the importance of building and maintaining employee morale and a spirit of camaraderie amongst the work force. To this end, the Corporation has established a number of employee recognition and appreciation programs as a way of recognizing employer changes in working conditions (i.e., longer work hours). These programs include:

- Expenses for employees and their immediate families for births, illnesses and bereavements and employee birthday cakes and parties. These types of transactions are typically provided for in an employee contributed Sunshine Fund.
- Coffee and dairy products – the Corporation provides continually brewed coffee and tea at no expense to employees.
- Holiday party and gifts – the holiday party is an informal dinner gathering of employees. The Chairman acknowledges the entire staff for their efforts throughout the year and employees received \$25 gift certificates. Also, during the holiday season the Chairman invites the Commissioners and Corporate Officers to a holiday party. The Chairman utilizes this occasion to thank and acknowledge the diligence, time, and effort put forth by the Commissioners who are not compensated for their work to the Corporation.
- Employee appreciation awards - at the holiday party employees who have achieved 5, 10 or 15 years of service are awarded an appreciation gift (i.e., employees with 15 years service are presented with a \$100 Seiko watch). The Corporation has established two monthly appreciation awards programs. The "Employee-of-the-Month" program recognizes outstanding contributions of an employee. The employee "Suggestion-of-the-Month" program awards employees who suggest ways to improve the operational efficiencies and/or controls within the working environment. Employees receive \$25 to \$75 in gift certificates of their choice.
- Cookout – the cookout provides a forum for the Commissioners to serve and join the entire staff for a summer luncheon. The Commissioners cook and serve hot dogs, hamburgers, and sausages to employees.

Our review of the budget data and related records disclosed payments for the above items that would normally not be allowed for state departments and agencies. As shown in Exhibit 2, these expenses totaled \$32,770.47 for the period January 1, 1998 through March 31, 2000.

Exhibit 2 Employee Recognition and Appreciation Programs				
Description	Jan 98 to June 98	July 98 to June 99	July 99 to March 00	Total
Births, Illnesses, Bereavements, Birthday Cakes and Parties	893.88	2,174.55	955.70	4,024.13
Coffee, Dairy Products, and Supplies	2,778.79	4,220.70	3,981.11	10,980.60
Holiday Party, Gifts, and Supplies	-	6,528.61	5,658.95	12,187.56
Employee Appreciation Awards	-	1,788.95	2,648.71	4,437.66
Cookout	-	620.91	519.61	1,140.52
Total	3,672.67	15,333.72	13,764.08	32,770.47

As shown below in Exhibit 3, the Corporation incurred expenses of \$11,608.14, which were considered in our review:

Business-Related Meals: The Corporation paid \$5,163.14 for business related meals. These meals included the following categories:

- Sponsored luncheons encouraging recycling.
- Lunches for Commissioners at Board meetings.
- Luncheon for retiring Commissioner.
- Lunches with business associates, federal officials, legislators, Mayor of Johnston, and meetings with Corporation employees regarding union affiliations.

Donations to Charity Events Sponsoring Golf Tournaments: The Corporation sponsored Commissioners and senior staff's participation in golf tournaments benefiting non-profit organizations and charitable fund raising activities. Examples of these organizations and activities included: Johnston Police Golf Tournament, Rhode Island Foundation, Greater Providence Chamber of Commerce, Rhode Island Bar Association, Prevent Child Abuse, The Tomorrow Fund, etc.

Exhibit 3 Business Related Meals and Charity Events				
Description	Jan 98 to June 98	July 98 to June 99	July 99 to March 00	Total
Business-Related Meals	1,582.66	1,786.60	1,793.88	5,163.14
Charity Events Golf Tournaments	1,060.00	2,130.00	3,255.00	6,445.00
Total	2,642.66	3,916.60	5,048.88	11,608.14

Recommendations

1. The Corporation, with the approval of the Board of Commissioners, should establish policies and procedures to reimburse Commissioners and employees for business-related expenses based upon presentation of original invoices and not statements.
2. The Corporation, with the approval of the Board of Commissioners, should establish policies and procedures detailing the types of business expenses that are considered allowable for the Corporation.

Town of Johnston

Host Community Agreement: In accordance with Section 23-19-13.4 of the Rhode Island General Laws, the Corporation entered into a Host Community Agreement with the Town of Johnston to settle all past claims by the Town against the Corporation for Host Community fees, payments in lieu of taxes, etc., and to provide for future payments to the Town as a Host Community.

On April 2, 1996, the Corporation's Board ratified a comprehensive agreement with the Host Community which supersedes all prior agreements between them and provides for the unimpeded continuation of the Corporation's operations in the Town of Johnston. The comprehensive agreement, which remains in effect as long as the landfill is owned and operated, provided for the immediate payment of \$3,150,000 to the Host Community in full settlement of all past differences. The comprehensive agreement also provides for annual payments to the Host Community in the base amount of \$1,500,000 plus 3.5 percent of the Corporation's annual gross revenue, as defined in the comprehensive agreement, commencing April 1, 1996. The base amount is subject to a 10 percent escalator every five years beginning April 1, 2001. Payments to the Town of Johnston for the period January 1, 1998 through March 31, 2000 totaled \$5,590,578 with an additional payment of \$765,567 on April 3, 2000.

Methane Royalty Agreement: On May 1, 1987, the Corporation entered into a 30-year lease agreement with a lessee for royalty payments to the Corporation based on sales of methane gas recovered by the lessee from the Corporation's landfill site. In general, royalty payments to the Corporation are 15 percent of net revenues, as defined, for the first 15 years of operation and vary from 15 to 18 percent thereafter depending on production. The Corporation included in other income in their financial statements royalties of approximately \$993,000 for the year ended June 30, 1999.

In addition, on May 1, 1987 the Corporation, the Town of Johnston, and the lessee entered into an agreement for royalty payments to the Town, in lieu of taxes, equal to 1.5 percent of net revenues received by the lessee for the sale of methane gas recovered by the lessee from the Corporation's landfill site. The lessee submits an annual check for .75 percent of net revenues, not exceeding \$50,000 a year, to the Corporation. The Corporation either matches the amount provided by the lessee or provides the difference so the check to the Town is equal to 1.5 percent of the lessee's net revenues. These royalty payments to the Town amounted to \$98,483 and \$99,348 for the fiscal years ended June 30, 1999 and the nine months ended March 31, 2000, respectively.

Recycling Participation: The Corporation provided grants to assist the Town in organizing source separation and recycling programs.

Donations to the Benefit of Town Residents: The Corporation donated \$134,218 to the Town of Johnston for school and sporting activities (i.e., the two largest expenditures in this category were \$60,000 for repairs to a gymnasium and \$40,000 for softball field lighting), holiday gift baskets, toys for children, and various community-related organizations, etc. Of particular note was a \$2,000 donation made to the Johnston Democratic Town Committee for the "Toys for Tots" program.

Police Detail: The Host Agreement also provides that the Corporation shall continually evaluate the issues relating to access to the Corporation's property and security of the Corporation's facilities, including but not limited to the use of police officers employed by the Town for security details. During the period under review the Corporation paid the Town \$181,071 for police details. These details included security over the Corporation's grounds and facilities, traffic control during

the moving of Corporation-owned houses and the widening of roads.

Water Bills: The Corporation also paid the Town \$36,864 for water usage.

Exhibit 4 contains a summary of all payments made to the Town of Johnston for the purposes described above.

Exhibit 4 Payments to the Town of Johnston				
Description	Jan 98 to June 98	July 98 to June 99	July 99 to March 00	Total
Host Community ¹	1,317,181.00	2,742,260.00	2,296,704.00	6,356,145.00
Methane Gas Royalty	-	98,482.74	99,347.76	197,830.50
Recycling Participation	7,729.52	-	7,731.64	15,461.16
Donations to the Benefit of Town Residents	42,388.00	78,780.00	13,050.00	134,218.00
Police Detail	36,602.50	84,260.00	60,208.75	181,071.25
Water Bills	12,361.04	12,850.62	11,652.81	36,864.47
Total	1,416,262.06	3,016,633.36	2,488,694.96	6,921,590.38
¹ The April 3, 2000 payment in the amount of \$765,567 is included in the payments to the Host Community for the period ended March 2000.				

Trash Abatements: The Host Community Agreement, as described above, also calls for the waiver of substantially all tipping fees and municipal solid waste disposal fees from the Town of Johnston for the agreement's term. Exhibit 5 displays information provided to our auditors regarding tipping fees waived for the period January 1, 1998 through March 31, 2000 totaling \$985,104, before any adjustments, if necessary, were made for transactions originally assessed to the Town.

Exhibit 5 Trash Abatements				
Description ¹	Jan 98 to June 98	July 98 to June 99	July 99 to March 00	Total
Town of Johnston	205,169.11	385,294.31	293,238.56	883,701.98
Individual Town Residents	15,106.44	35,772.49	24,678.25	75,557.18
School Department	9,619.52	16,029.76	195.84	25,845.12
Total	229,895.07	437,096.56	318,112.65	985,104.28
¹ This identifies the value of tipping fees waived on behalf of the Town of Johnston and does not reflect any adjustments, if necessary.				

Financing Arrangements: In the Spring of 1998, a Financial Review Commission (Commission) led by the Auditor General of the State of Rhode Island was formed to develop a Financial Recovery Plan (Plan) to assist the Town of Johnston in overcoming an estimated \$18 million cumulative deficit. On June 8, 1998, the Town Council adopted the Plan proposed by the Commission. On June 15, 1998, the Corporation purchased \$5 million of the Town's General Obligation Deficit Funding Bonds to enable the Town to pay off a one-year note maturing on that date.

Comparison of Travel Regulations for Resource Recovery Corporation, State of Rhode Island and the Internal Revenue Service

The following section provides a comparative analysis between the Resource Recovery Corporation, State of Rhode Island and the Internal Revenue Service's policies, procedures, rules and regulations. As indicated there are no material differences and it is being provided for informational purposes only.

Topics	Corporation's Rules ¹	State of Rhode Island's Rules ²	IRS' Rules ³
General Rules	Travel will be reasonable without any undue hardships or inconvenience for the traveler.	Traveler is expected to exercise the same care that a prudent person would exercise if traveling at his/her own expense.	Travel expenses must be ordinary and necessary expenses and should not be lavish or extravagant. "Ordinary and necessary" refers to the business purpose. "Lavish and extravagant" refers to the reasonableness based on the circumstances.
Travel expenses for another individual	Does not address this issue. However, policies do state in cases of double room occupancy, reimbursement may be made at ¾ the double room rate, if such room rate is lower than the single room rate.	Reimbursement for lodging will be ¾ the double occupancy room rate in the case a non-employee is sharing a room with a state employee. (Note: It is the position of the State Controller that if the room rate of the double occupancy is the same as a single room, the entire cost of the room will be reimbursed.)	If a spouse, dependent, or another individual goes with an employee on a business trip or convention, they cannot be included for reimbursement of travel expenses.
Per Diem Allowances	The Per Diem allowance of \$40 may be allowed in lieu of actual expenses for out-of-state travel on official business.	Varies from \$20 to \$30 for three daily meals.	Allow a standard amount for daily meals and incidental expenses. There is no optional standard amount for lodging.
Applicability	Reimbursed travel expenses are confined to the ordinary and necessary expenses in the performance official business.	Employees may be required to travel in the normal course of performing their responsibilities.	Travel expenses must be incurred while performing services as employees.
Timeliness	Travel Expense Reports should be submitted within five days after the conclusion of each trip or each week if the trip extends over a considerable period of time.	A travel expense voucher must be completed as soon as the traveler returns, but no later than five business days upon returning.	Travel Expenses must be accounted for and submitted to the employer within a reasonable period of time.
Advances	Allowed based upon employee's request provided this amount exceeds \$50.	If necessary, an employee may obtain a travel advance for conference and/or registration fees only. Otherwise, travelers are expected to use personal funds for food and other out-of-pocket expenses, subject to reimbursement.	Any excess reimbursement allowance must be returned within a reasonable period of time.

SOURCE:

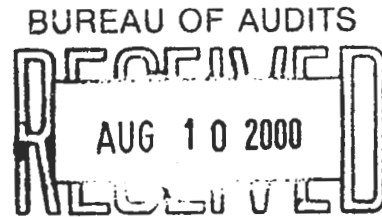
¹ Resource Recovery Corporation's policy entitled "Policy and Procedures Statement, Travel Regulations," Revised June 1994

² Department of Administration's Procedural Handbook, Section A-22 entitled "Travel - Out of State."

³ Internal Revenue Service Publication 463 entitled "Travel, Entertainment, Gift, and Car Expenses" (1998)



August 9, 2000



State of Rhode Island
Department of Administration
Bureau of Audits
One Capitol Hill
Providence, RI 02908-5889

65 Shun Pike
Johnston, RI 02919-4512
TEL: (401) 942-1430
FAX: (401) 946-5174
www.rirrc.org

Attn: Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

Dear Mr. Cooper:

On May 26, 2000, you issued your Audit Report of the Bureau of Audits review of the Rhode Island Resource Recovery Corporation ("Corporation"). In compliance with R.I. Gen. Laws § 35-7-4(c), the Corporation, through its Executive Director, is responding to your recommendations.

Your report entitled "**Rhode Island Resource Recovery Corporation, Review of Credit Card Transactions and Business Practices**" for the period January 1998 through March 2000, has been received and accepted. Your contact person at the Corporation is Paul J. Pisano, Esquire (401) 942-1430 ext. 140.

RECOMMENDATION #1

The Corporation, with the approval of the Board of Commissioners, should establish policies and procedures to reimburse Commissioners and employees for business-related expenses based upon presentation of original invoices and not statements.

RESPONSE ACCEPTED

By practice, it has always been the policy of the Corporation to pay reimbursements only on original invoices. Upon review of our records, there were one or two anomalies to this. The Board of Commissioners instructed the Executive Director to issue a memo to reinforce the policy that reimbursements will only be made on original invoices. This was done.

RECOMMENDATION #2

The Corporation, with the approval of the Board of Commissioners, should establish policies and procedures detailing the types of business expenses that are considered allowable for the Corporation.

A. Austin Ferland
Chairman
Sen. Roger Badeau
Vice Chairman
Jerry Ligon
Treasurer
Dante E. Boffi, Jr.
Rep. Robert Lowe
Rep. Joan Quick
Wayne Salisbury
John St. Sauveur

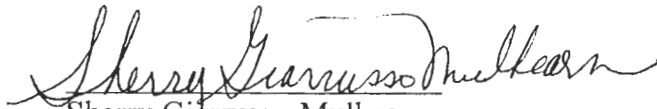
Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
August 9, 2000
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RESPONSE ACCEPTED

The Corporation, through its Board of Commissioners, is developing and drafting policies and procedures which will detail the types of expenses that are considered allowable for the Corporation. Upon completion and adoption, a copy will be forwarded to your Department.

If you have any further questions or comments, please contact Mr. Pisano.

Sincerely,



Sherry Giarrusso-Mulhearn
Executive Director

/lr

cc: James N. Allam, Deputy Executive Director
Joseph J. Judge, Chief Financial Officer
Paul J. Pisano, Legal Counsel
Board of Commissioners